



COMMONWEALTH OF VIRGINIA

Department of the Treasury

J. BRAXTON POWELL
TREASURER OF VIRGINIA

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July 7, 2008

MEMORANDUM

TO: Localities Eligible for Participation in the 2008 B Interest Rate Subsidy Financing through the Virginia Public School Authority

FROM: J. Braxton Powell, on behalf of
James J. Wheaton, Chairman, Virginia Public School Authority

SUBJECT: Information on the 2008 Interest Rate Subsidy Program Bond Sale-
VPSA School Financing Bonds (1997 Resolution) Series 2008 B

It is currently anticipated that the Virginia Public School Authority ("VPSA") will move forward with an interest rate subsidy bond issue for sale in conjunction with VPSA's Fall issue. The purpose of the program is to fund localities' projects on the Board of Education's First Priority Waiting List (Attachment A) and in, certain cases, the Second Priority Waiting List, through VPSA and provide debt service schedules equivalent to what they would have paid on a direct Literary Fund loan (Attachment B). The purpose of this memorandum is to provide localities with notice of the subsidy sale and directions to the electronic information regarding the application for inclusion in the financing. This memorandum will inform you of the steps necessary to be eligible to participate in this financing.

The electronic information package, including the application forms, is available at the Department of the Treasury home page on the Internet at:

http://www.trs.virginia.gov/Debt/vpsa_appl.asp

This package will better acquaint you with the VPSA financing program. Please access the Internet address shown above to secure the forms and instructions needed to submit an application for participation in the Series 2008 B interest rate subsidy financing.

Please note the amount provided in the 2008 Appropriation Act for the 2008 interest rate subsidy program is \$30,000,000.

The 2008 Appropriation Act permits localities with projects on the Second Priority Waiting List to participate in the subsidy sale. Once it has been confirmed that all localities with projects on the First Priority Waiting List have affirmed their participation or have chosen to bypass the sale, and if there is an unused appropriation remaining, localities on the Second Priority Waiting List may participate.

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VPSA and the Department of Education have completed other interest rate subsidy financings in previous years. It is anticipated that the current interest rate subsidy program will be structured similar to the November 2007 financing. The objective of the interest rate subsidy program is to maximize use of available Literary Fund monies to provide low interest loans for school construction and renovation, and to keep the Literary Fund loan waiting list as short as possible. Localities which participate in the subsidy program are able to obtain VPSA financing at the same cost as if they had borrowed from the Literary Fund. Costs of issuing bonds associated with borrowing from VPSA will be covered by the program. The program is structured to provide a subsidy equal to the present value difference between the payment schedule which would have been achieved by borrowing from the Literary Fund and that which is actually achieved through VPSA. If there are any questions regarding your project(s) or the Literary Fund, please call Kent Dickey with the Department of Education at (804) 225-2025.

To be considered for participation in the 2008 interest rate subsidy program, you must complete the application form and email it to ypsa@trs.virginia.gov by August 21, 2008. You must also send a written request in the form of a letter to:

**Kent C. Dickey
Assistant Superintendent for Finance
Department of Education
P. O. Box 2120
Richmond, Virginia 23216-2120**

We have been informed by the Department of Education that, if you elect not to participate in the interest rate subsidy program, your project will remain on the First Priority Waiting List, without loss of priority ranking.

VPSA anticipates selling the bonds October 22, 2008 with funds available to localities on or about November 20, 2008. **Although VPSA and the Department of Education will make every effort to include all eligible localities in the financing, funding will be based on your position on the First Priority Waiting List and, should funding remain available, the Second Priority Waiting List. In each case, market conditions at the time of sale may preclude us from including every eligible locality.**

Available on the website is the cover memorandum addressing the regular VPSA Fall bond sale. **If your locality wishes to participate in the normal semiannual VPSA bond sale in addition to receiving the Literary Fund subsidy, you must complete *both* applications.** As you complete your application, examine the schedule, included as Attachment C hereto, carefully. Please note that, given the extended time requirements for public notice and hearings, localities should procure the services of a bond counsel as soon as they have decided to participate in the VPSA bond sale.

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Bond counsel typically charge a fixed fee for local debt issuance associated with VPSA, rather than an hourly rate. It is to your advantage to secure the services of qualified counsel as soon as possible.

We will notify you and your bond counsel as soon as possible after September 11, 2008 whether you may be included in the 2008 interest rate subsidy bond sale.

If you are interested in participating in the 2008 interest rate subsidy financing, please email a letter expressing that interest along with the completed application form to vpsa@trs.virginia.gov. The application requires that the school board submit a resolution when your application is submitted. **A resolution approving the application is no longer required by the governing body as part of the application process.**

If you have any questions about the application, or need assistance, please call Rick Davis at (804) 225-4928, Melissa Palmer at (804) 225-4926 or Connie Vaughan at (804) 225-2268.

JBP:cov

c: VPSA Board of Commissioners
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